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Title: Financing of transport services using credit

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Citation style: Piotr Czech, Barcik Jacek, Celiński Ireneusz, Sierpiński Grzegorz. (2014). Financing of transport services using credit. "Logistyka" (2014, nr 4, s. 2719-2727).



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Financing of transport services using credit⁵

Introduction

From time immemorial people have used different forms of borrowing things or money. At the beginning they were borrowing each other and next there appeared a group of people called bankers, who started doing this professionally. They were exchanging money, trading promissory notes and checks and they were giving credits. Over time, it started to form banks and banking houses, which were specialized in giving loans and credits. The idea of giving loans and credits survived till now. Nowadays, loans and credits are given mainly by banks, although there are cases of loans and credits trade between enterprises.

Credit has become a very important part of economic life. Very often it is necessary to open, maintain and develop businesses.

Through the loan agreement the bank undertakes to make available to the borrower at the time designated in the contract, the amount of cash designed for set purpose, and the borrower agrees to use it under the conditions of the agreement, refund the amount of used credit, together with interest at the designated maturities and payment of commission on the loan [10].

Credit agreement has the following characteristics [4]:

- is a consensual contract, which is concluded when two or more parties submit compliant declarations of will. Putting the disposal of the borrower's financial resources is not a mandatory condition for its conclusion, but part of the fulfilment of the agreement. This also applies to situations where the transfer of funds to the borrower occurs at the time of conclusion of the contract,

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⁵ Artykuł recenzowany

- is a contract requiring both sides, because the bank is obligated to release the disposal of the borrower at the time specified in the contract a reasonable amount of money, the borrower is obliged to use it under the conditions set out in the agreement, refund the total cost of the credit with all interest at time set in the agreement of return , payment of commissions,
- is a contract for pecuniary interest, because the borrower is obliged to pay the commission previously defined in the agreement, the interest for delay in payment, interest on credit used,
- the time must always be accurately depicted for which it was concluded,
- must be included within the purpose for which the borrower intends to use the funds allocated to it,
- is a commitment of funds, as by agreement for a credit the bank has the right to commit only to give into the hands of the borrower a certain amount of money. Banking Law does not provide for so-called obligating credit that rely on the fact that the bank takes over the client's commitment, but failing in his favour direct payments (bank guarantee, bills of exchange, bank acceptance). Banks provide such services, but they are not credits in the banking law,
- is a contract, which is reserved exclusively to the competence of banks.

The credit agreement shall be contained in writing and specify in particular [3]:

- sides of credit,
- amount and currency of the credit,
- purpose for which the credit was granted,
- rules and the repayment date,
- the interest rate on the credit and its change conditions,
- way of secure the repayment of the credit,
- the terms of reference of the bank associated with the control of the use and repayment of the credit,
- timing and method of making available to the borrower's cash,
- the amount of commission (if the contract provides for it),
- conditions to change and termination.

Credit agreement with a bank can contain individuals, legal persons (e.g. banks, foundations, associations, universities, research institutes, some entities and budgetary establishments), operators which are not legal entities but having the legal capacity and capacity to act legal (e.g. general partnerships) [7].

The credit agreement can be signed only by an authorized person. For individuals it is the borrower or, in exceptional cases validated attorney, in the state enterprise is the director, in the private enterprise in the registers, in which is inscribed a legal person, usually indicated are the people entitled to the credit agreement. A legal person, like an individual, may also appoint an attorney authorized to act on its behalf. It must, however, be clearly stated in attorney ship [5].

In case of default by the borrower, the conditions for granting credit or in the case of loss the borrower's creditworthiness, the bank may reduce the amount of granted credit, or terminate a credit agreement. Bank decides about the fact of loss of the borrower's creditworthiness, without having to justify its decision. In a situation where the bank cancels credit, the borrower after the time of termination is obligated to return the amount of credit used together with interest, unless of course the credit agreement provides otherwise [1].

At the market is available an entire range of credits, which can be divided according to the following criteria [1-9]:

- the subject of credit (rotary, investment),
- forms of credit (at current account, at credit account),
- the way of use and repayment of credit (in the form of ad hoc transactions, rolling, bridging, in the form of a credit line),
- crediting period (short-term, medium-term and long-term),
- person of borrower (for financing business, consumer),
- currency of the credit (in PLN, foreign exchange),
- way of securing (secured personally, objectively, unsecured),
- interest rules (variable, fixed interest rate),
- frequency of use of the credit (used once, in tranches),
- repayment frequency (repaid once, in instalments, with the proceeds to the account),
- preferences (preferential, commercial).

Comparison of selected credit offers available on the Polish market

Practice used by bank customers is based usually at searching a better credit offer or bank inclined to lend on all terms. The current credit offers are designed for small and medium-sized transport companies usually contain standard terms and conditions. We can speak about variety only in relation to still generated new types of credits, which are bank reaction at new market needs. At the same time we can notice that more and more bank credit conditions leaves to bilateral negotiations [2].

In the next part it will be presented comparison of selected credit offers related to financing current operations. Offers apply to the credit in the amount of 100 000 [PLN] for a period of 36 months.

The data were collected in banks branches in the context of work [6]. They are approximate and should not be construed as a binding commercial offer of the tenderer. On their basis also should not be conducted any ranking of banks. Presented offers may not be considered as the best offers of the bank.

Table 1 presents a summary of banks whose credit offers have been used in the article.

Tab. 1 Summary of credit offers

Number of credit offer	Name of tenderer
1	BNP Paribas Bank Polska SA
2	ING Bank Śląski S.A.
3	mBank S.A.
4	Meritum Bank ICB S.A.
5	PKO Bank Polski
6	Raiffeisen Bank Polska S.A.

Figure 1 shows a comparison of offers under the terms required to obtain credit a minimum period of running business.

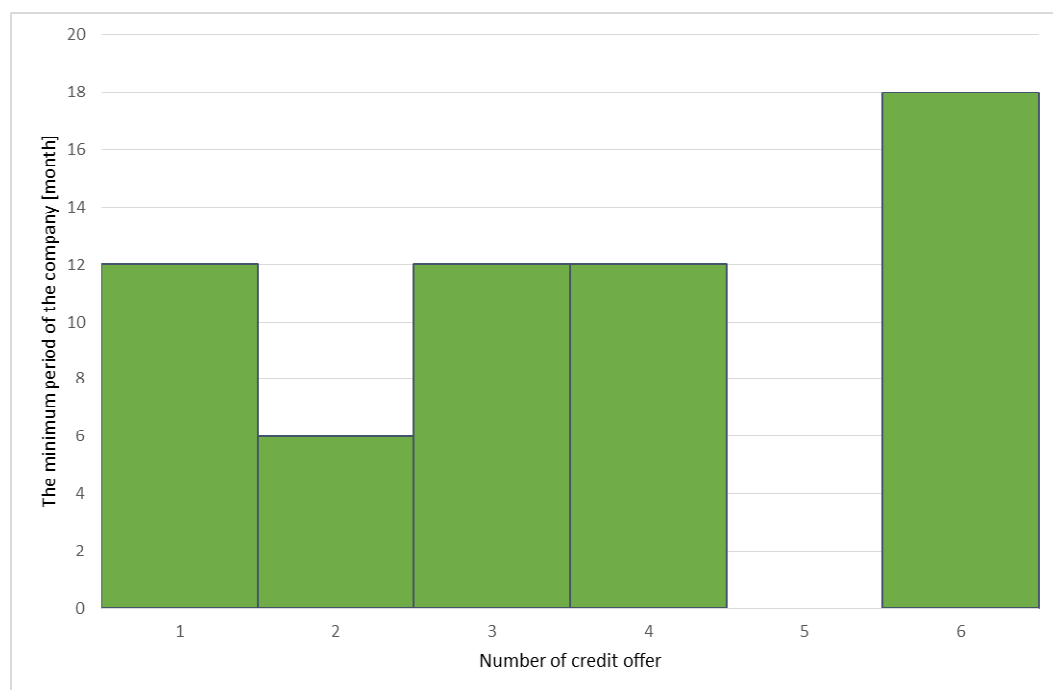


Fig. 1. Comparison of credit offers because of the minimum period of company existence

Only in PKO Bank Polski is not required to offer a minimum period of running a business. In any other case, the company must exist from a half to one and a half years before it can apply for a credit. What is interesting, only offer of this bank requires an additional fee for processing the application, in the amount of 150 [PLN].

With the exception of one offer (mBank), banks require from the borrower a single arrangement fee (Figure 2). Such fee is intended to compensate the bank costs associated with the preparation of the credit offer.

Depending on the offer, payment arrangement fee will be associated with incurring costs in the amount of 500 [PLN] to 3500 [PLN].

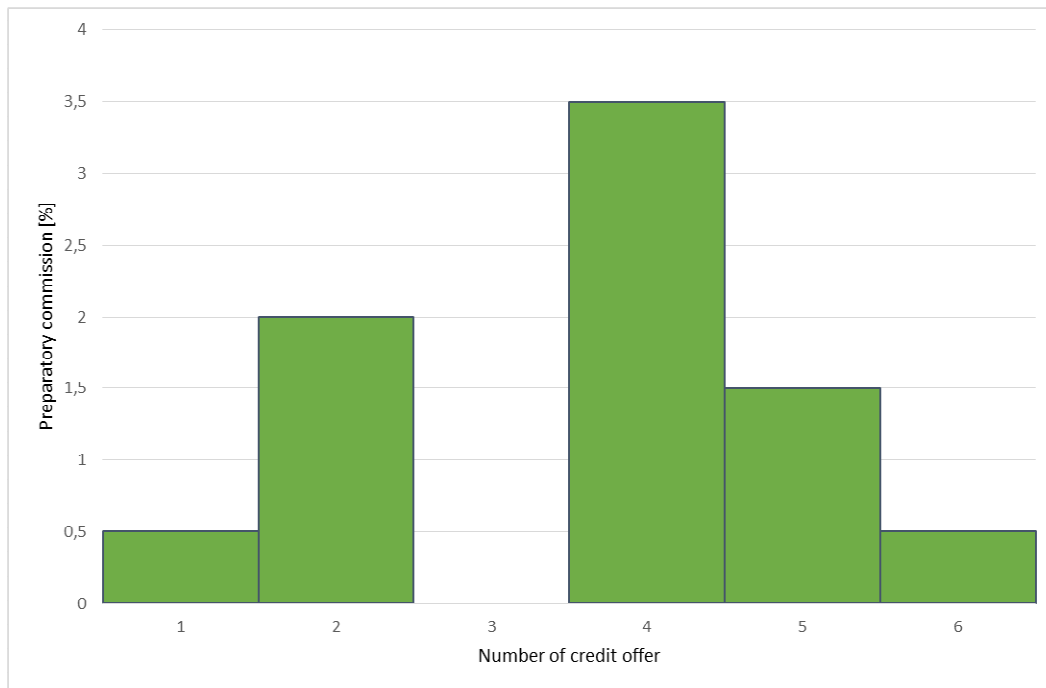


Fig. 2. Comparison of credit offers because of the amount of the preparatory commission

Figure 3 is showed the comparison of offers in terms of the amount of the minimum spread.

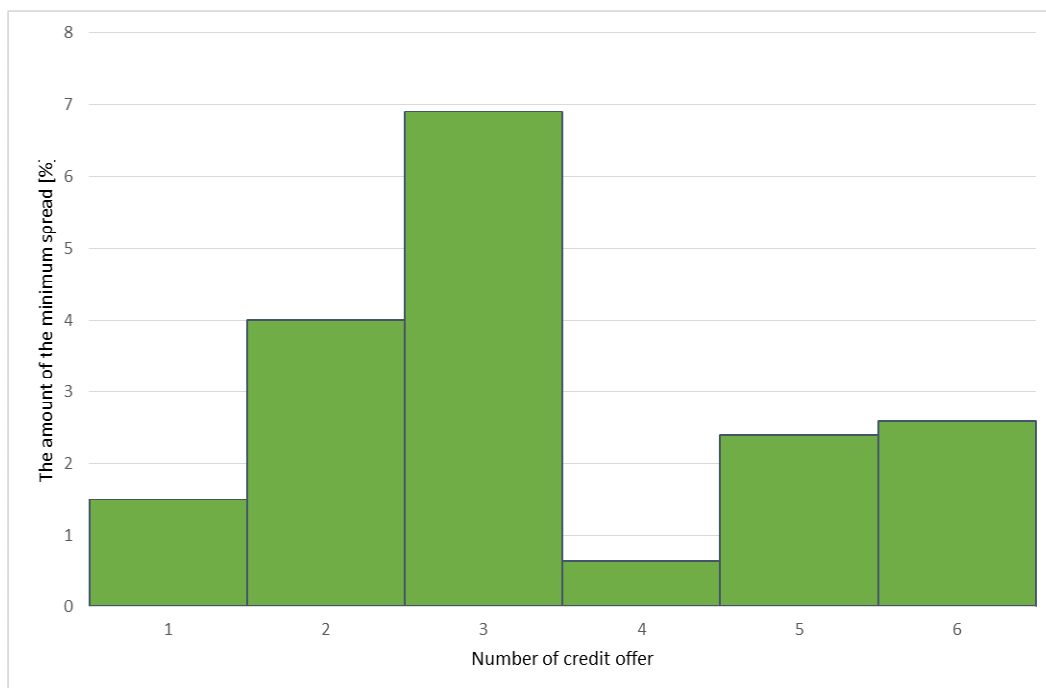


Fig. 3. Comparison of credit offers because of the minimum spread

The best offer in terms of the amount of spread is offer number 4 (Meritum Bank), for which it is 0,65 [%] (650 [PLN]). For comparison, the worst offer - number 3 (mBank), requires a fee more than 10 times higher – 6,9 [%] (6900 [PLN]).

Figure 4 presents offers comparison in terms of the amount of the actual interest rate of the credit.

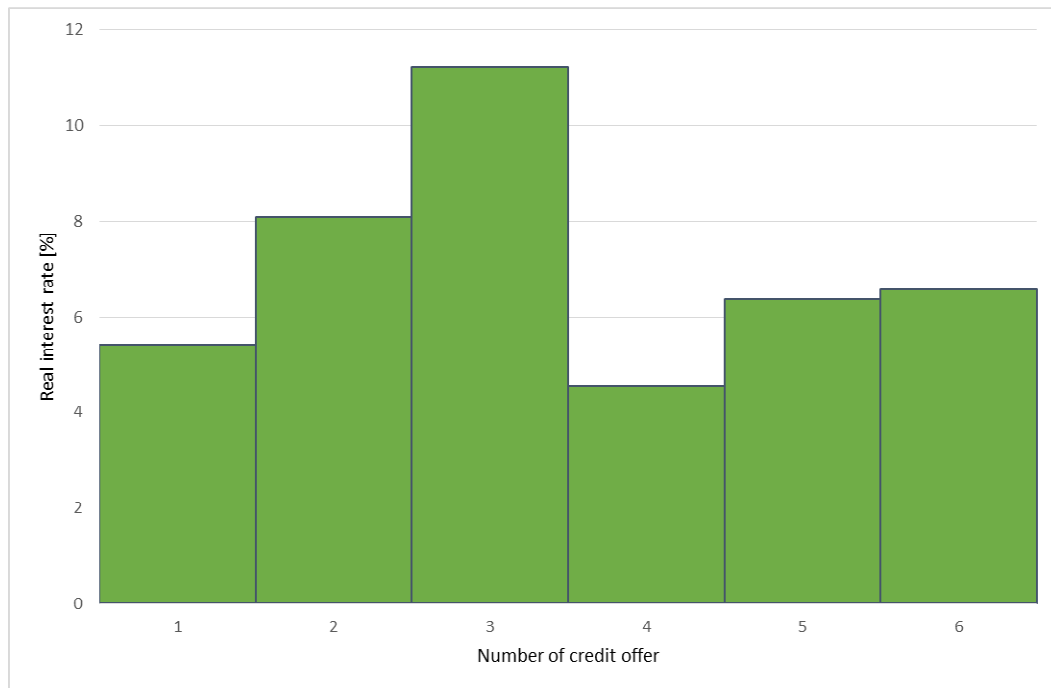


Fig. 4. Comparison of credit offers because of the amount of the real interest rate

At Figure number 4 we can see that in terms of height of the real interest rate the most beneficial is offer number 4 (BNP PARIBAS). For this offer the amount of the real interest rate is 4,54 [%] (4540 [PLN]). In contrast, the least favourable offer is number 3 (mBank), for which the amount of the actual rate is up to 11,24 [%] (11240 [PLN]).

In terms of the amount of the monthly instalment offers have been summarized in Figure 5.

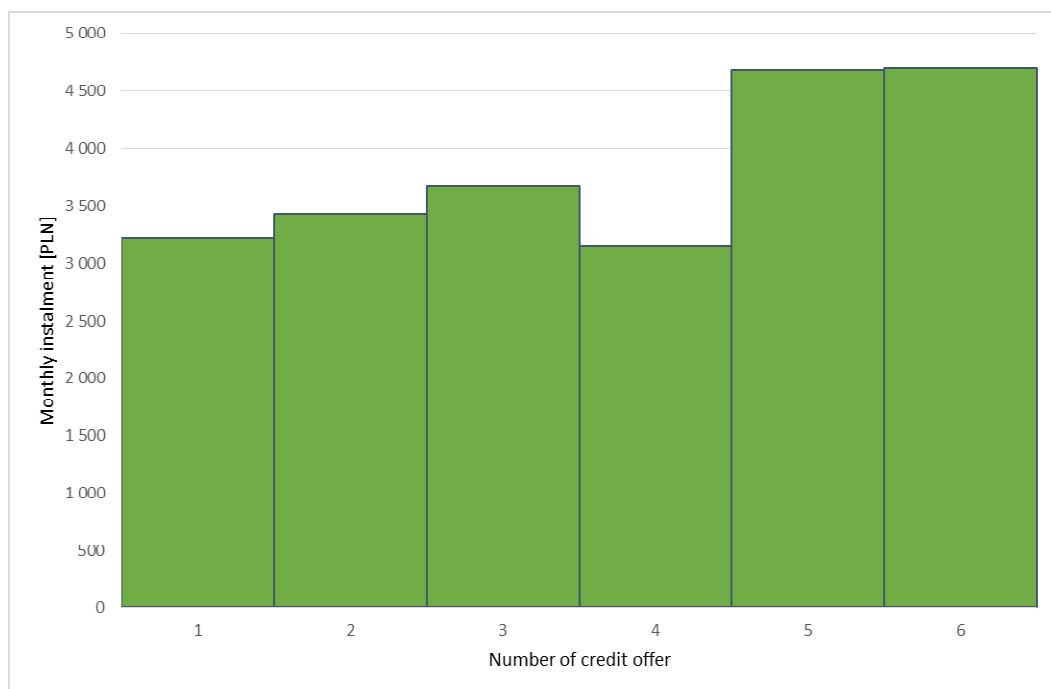


Fig. 5. Comparison of credit offers because of the amount of monthly instalment

For the four offers the amount of instalments is not significantly different from each other and are about 3500 [PLN], while for the two exceeds 4500 [PLN].

Given the fact that the examination of credit offers for the same period of the credit (36 months), the difference in the amount of monthly instalments may decide to choose, or not, the set credit offer.

The borrower choosing the offer may also suggest additional charges associated with the early repayment of the loan (Figure 6) or the commission for the unused funds.

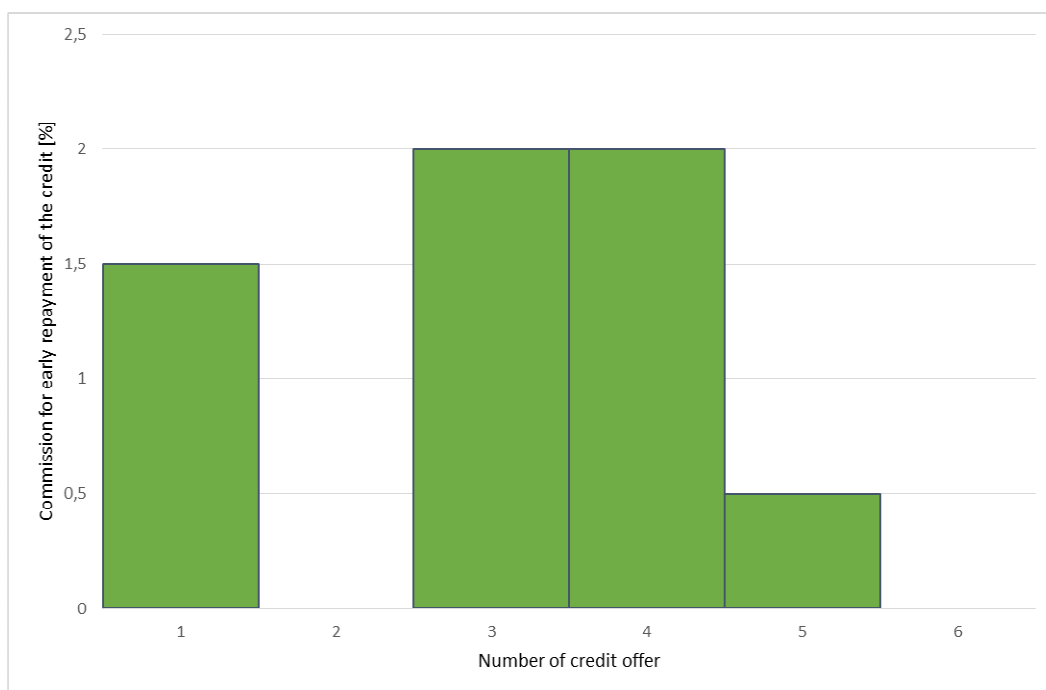


Fig. 6. Comparison of credit offers because of the amount of commission for early repayment

Early repayment of a credit does not require additional costs in the case of an offer no. 2 (ING Bank Śląski) and no. 6 (Raiffeisen Bank Polski). The other tenderers propose a commission of 0,5 [%] to 2,0 [%] (500 [PLN] – 2000 [PLN]).

In case of unused funds commission will be taken in PKO Bank Polski – 0,1 [%] (100 [PLN]) and Raiffeisen Bank Polski – 3,5 [%] (3500 [PLN]). For other offers there is no information about the need to incur this fee.

Conclusion

Companies, including transport companies, in order to obtain the necessary funding are using banking products. In situations where the company is at risk of losing financial liquidity, very often the salvation is a credit, granted by a bank to finance current operations. In the transport company such credit can be used to cover expenses associated with the fuel, use of vehicles or salaries for employees. In case of will to purchase a new means of transport, the company can take advantage of the investment credit.

Currently on the market there are a lot of banks which have in their offer a whole range of different credit offers. As a result, anyone interested can find products tailored exactly to their needs. It should be mentioned that in the market there are also economic operators which have in the scope of its activities comparison and choose the best banking services for the client, according to the established criteria.

To choose the best bank offer for you, you should look at all the conditions that are included in the offer. Majority of credit offers differ with each other in a small extent, which makes it difficult to make a choice.

Abstract

The dynamic development of the private sector in Poland has created a demand for a whole range of banking products to enable the finance current operations and investments in companies. In an effect it resulted increase in the number of credit offers offered by various banks. The acquisition by the company a bank credit, gives the possibility of incurring expenses even far beyond the currently available funds. It also allows obtaining investment resources without having to involve a large amount of their own funds.

The article presents the bank credit, as the possibility of funding transport activities.

Here was made an exemplary comparison of credit offers offered by banks on the Polish market.

Finansowania działalności transportowej przy wykorzystaniu kredytu

Streszczenie

Dynamiczny rozwój sektora prywatnego w Polsce spowodował powstanie popytu na cały szereg produktów bankowych umożliwiających finansowanie bieżącej działalności oraz inwestycji w firmach. Spowodowało to w efekcie zwiększenie m.in. liczby ofert kredytowych oferowanych przez poszczególne banki. Pozyskanie przez firmę kredytu bankowego, daje jej możliwość ponoszenia wydatków nawet znacznie przekraczających aktualnie posiadane środki. Umożliwia on również pozyskanie środków inwestycyjnych bez konieczności angażowania dużej ilości własnych środków.

W artykule przedstawiono kredyt bankowy, jako możliwość finansowania działalności transportowej. Dokonano w nim porównania przykładowych ofert kredytowych oferowanych przez banki na polskim rynku.

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